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January 26, 1987

# Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

## Special Report: *Newspapers*

How big spenders are changing the American press

## Now get ready for the *real* Super Bowl

— Page 1

## W-L casts its vote for advertising over promos

— Page 1

## Esprit skirts department stores for own outlets

—Page 12

## Will scandal jar Guinness marketing strategy?

— Page 56

# Highlights


**Warner-Lambert true to advertising** 1

Warner-Lambert Co. has put itself squarely in the ranks of marketers bucking the trend toward spending more marketing dollars on promotion and less on advertising. W-L president-ceo Melvin Goodes last week said the company will increase worldwide ad spending by 13% this year, to $730 million.

**Tv shopping narrows** 1

Tv home shopping, one of the nation's hottest new industries, is facing fallout and consolidation. The industry was jolted last week when its two biggest players, Clearwater, Fla.-based Home Shopping Network and Minneapolis-based Close-Out Merchandise Buyers, said they were discussing a possible merger.

**Johnson gets Check-Up** 4

Minnetonka Inc. and Henkel Corp. pulled out of the $1 billion toothpaste category last week by agreeing to sell their joint interests in Check-Up to S.C. Johnson & Son and Japan's Lion Corp.

**Pizza Hut consolidates marketing** 71

Pizza Hut today begins the second phase of its centralized marketing strategy by announcing the 4,500-unit chain's first national promotional event.

**CORPORATE CLOSEUP**

**Rags to riches** 12

Esprit de Corp. is shifting its attention to building a network of franchised and company-owned retail stores. Founded in 1979 as a ragtag collection of a half-dozen ventures, the worldwide company now has annual sales exceeding $800 million.

**FEATURES**

**Judging a book's cover** 51

For photographer Bob Osonitsch, romance means work. Since about 1960, he has shot young couples, cynical cops and tempestuous family clans as prototypes for the covers of supermarket paperbacks, including mysteries, science-fiction novels and Harlequin Romances. From the photographs, illustrators paint covers. Though models get only half pay for book work, they enjoy it because of the acting. When they pose for the covers, they caress, smile and writhe.

**INTERNATIONAL**

**Guinness in turmoil** 56

The commotion surrounding the British government's investigation of Guinness PLC's takeover practices is raising questions about the future of the brewer's ambitious worldwide marketing plans. Guinness had been trying to position itself as an international spirits and beer giant, but that was before the firing of Ernest Saunders, chairman and ceo.

**Indian market research** 57

In India, market research long was considered a Western business device irrelevant to a developing economy, but now executives are starting to change their minds. For the first time, thousands of Indian women are being asked to name their favorite brands. And hundreds of families soon will switch on a tv meter.

**OTHER NEWS**

Mikey, the lovable child who for 15 years appeared as spokesman for Quaker Oats' Life cereal, as an adult has sparked the brand's advertising recall. Life's ad awareness score increased 3.4 percentage points from October to December, capturing 5.6% of first mentions in the breakfast foods category in the December adWatch survey. Page 3.

At a critical juncture, a key strategist has been dismissed as head of the coalition formed by three major advertising industry associations to monitor and spearhead local legislative and regulatory skirmishes. The dismissal of William Sutherland as director of the State Legislative Alert & Action Coalition comes on the eve of a scheduled public hearing in Florida. Page 3.

The Massachusetts state bar association last week became the nation's third attorney group to endorse a resolution calling on the American Bar Assn. to support a ban of all tobacco advertising. Massachusetts follows Maryland and New York, where state bar associations already have endorsed the proposal, originated by White Plains, N.Y., attorney Henry Miller. Page 12.

Consumer electronics marketers that missed the boat on compact disc players are eager to market digital audiotape machines ahead of huge conglomerates such as Panasonic, Sony, Technics and Toshiba. But all digital marketers are stymied by proposed legislation and industry pressure to postpone introduction until cd sales have stabilized in the lucrative $3 billion U.S. audio-component market. Page 54.

Officials at the U.S. Mint, predicting multi-million-dollar annual ad spending to push commemorative coins, are seeking an agency for the U.S. Constitution Bicentennial coin, which goes on sale in June. Page 66.

Alberto-Culver chairman Leonard Lavin cast another vote in favor of 15-second commercials at the company's shareholder meeting last week. Page 74.

**SPECIAL REPORT**

*Figures for 1986 are likely to show that chain control of newspapers approached 80%. Publicly held companies are having trouble justifying to shareholders the heavy investments in news gathering that top dailies once took for granted.*

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ABP MPA RED TAG ABC AMPA


# Two papers plan to drop 'Weekend'

By WILLIAM F. GLOEDE

*USA Weekend* is in danger of losing two key markets and a sizable chunk of its circulation.

The *Chicago Tribune*, which carries the weekend newspaper magazine on Fridays, and the *Houston Post*, which carries it on Sundays, have notified Gannett Co. they intend to cancel *USA Weekend* in September. If both stick by their decisions to exercise a cancelation option in their contracts, *USA Weekend* will lose two top 10 markets and about 1 million of its total 14.3 million circulation.

Rosslyn, Va.-based Gannett created *USA Weekend* from *Family Weekly*, which it bought from CBS Magazines in 1985. It has worked hard at getting *USA Weekend* accepted by newspaper publishers, many of whom were skeptical of the supplement because of its similarities to Gannett's *USA Today*.

Ray Gaulke, president, *USA*

*(Continued on Page 72)*

# Affidavit spurred Army-Ayer battle

By JANET MEYERS

WASHINGTON—The Army fired N W Ayer as its agency 48 hours after receiving an affidavit from the president of a commercial film production company describing an alleged bid-rigging system he said had been in place for three years, government court papers revealed last week.

The affidavit, filed last Nov. 21, was followed on Nov. 23 by the Army's decision to suspend Ayer, its agency for 19 years, from all government contracting. The Army, which had been investigating Ayer's handling of the Army assignment since 1983, said at the time of the agency's dismissal that they had acted on the basis of "new information."

Ayer, which is challenging the Army's action, last week lost a second bid for a court order that would block the Army from naming a new agency. The Army is expected to name a new agency for its $100 million account this week. Vying for the contract are BBDO, DFS Dorland Worldwide, SSC&B, Young & Rubicam, all of New York, and Ogilvy & Mather, Chicago.

The affidavit, according to court papers filed by the Army, charged that the bid rigging "began at the request of Ayer management in the public relations department."

Summarizing the affidavit, the court papers said the president of the commercial film production company alleged that Ayer executives "obtained higher bids from 'friendly' competitors which were submitted to Ayer along with its bid to satisfy the contract require-

*(Continued on Page 72)*

# Ashley leaves post at Riney & Partners

SAN FRANCISCO—Hal Riney & Partners general manager Don Ashley ended his 3½-year association with the agency a few months after a reorganization involving senior account management (AA, Aug. 25).

Agency officials at the time denied rumors Mr. Ashley would be leaving the agency, which spun off as an independent from Ogilvy & Mather more than a year ago. Riney management declined to comment on possible successors, but sources suggest director of client services John Yost is a likely candidate. Mr. Yost is a former general manager of Chiat/Day, San Francisco. Mr. Ashley said he is leaning toward a return to marketing research.

* * *

**Diet Center**, Rexburg, Ida., has drawn up a list of 10 agencies, including incumbent J. Walter Thompson/West, San Francisco, to compete for its estimated $6 million account. The weight-loss chain, with 2,200 outlets in the U.S. and Canada, will chose finalists in mid-February.

**Corvus Systems**, San Jose, Cal., marketer of personal computer network products, will select about five northern California agencies to pitch its $1.5 million account, now unassigned.

## West Coast News

**Centram Systems West**, Berkeley, Cal., marketer of personal computer networking products, put its agency review on hold following an acquisition bid by 3Com Corp., Santa Clara. Four Bay Area agencies were competing for the $1.5 million account. Humpal, Leftwich & Sinn, Mountain View, previously handled projects for Centram. 3Com's agency is Winkler McManus, Santa Clara.

**Pizza Hut spots hit the highway**

Alabama deputy sheriffs detain comedian Rich Hall and the Mobile Institute of Pizza Studies in one of 30 commercials already shot for Pizza Hut's "On the road" campaign. The chain will spend at least $50 million and perhaps as much as $80 million on the campaign. Chiat/Day, Los Angeles, handles. *(See story on Page 71.)*

# IRI says data can now link ads to sales

By GARY LEVIN

CHICAGO—Information Resources Inc. has developed a new method for linking tv ad exposures to product sales that marketing executives say could force drastic changes in media planning and buying.

The direct correlation of commercial viewing on specific programs to unit sales volume provides the first major alternative to buying tv shows based on broad demographic categories.

It also could hasten the demand for accountability of product advertising.

According to a sample study on a major household-cleaning product, for example, consumers exposed to 47 commercials were no more likely to buy a product than those who saw only one commercial.

The downside risk of this development for agencies and the media, IRI officials warn, is that major marketers may use the information to justify ad-spending cutbacks or increased promotional spending.

The new service, a customized extension of IRI's BehaviorScan test-marketing program, involves the linkage of tv program viewing data from 10,000 BehaviorScan households in 10 markets to product purchase patterns obtained through supermarket scanners.

The electronically wired households' meters measure tv viewing in five-second increments to determine whether a particular tv spot was viewed. The data then enable IRI to measure the optimum frequency of ad exposures that produce additional sales, factoring in variables such as promotion activity, brand loyalty and competitive information in a given

*(Continued on Page 74)*

# Ad groups' watchdog chief ousted

## Sutherland leaves as Fla. tax looms

By STEVEN W. COLFORD

WASHINGTON—At a critical juncture, a key strategist has been dismissed as head of the coalition formed by three major advertising industry associations to monitor and spearhead local legislative and regulatory skirmishes.

The dismissal of William Sutherland as director of the State Legislative Alert & Action Coalition comes on the eve of a scheduled public hearing in Florida. That state is considering levying a sales tax against advertising.

Mr. Sutherland apparently was fired by Wallace Snyder, senior vp-government relations of the American Advertising Federation, although the official version is that Mr. Sutherland resigned.

Mr. Sutherland was selective in his comments, but he and other sources indicated there had been intramural bickering and differing agendas among individual advertisers and the three associations—besides AAF, the Assn. of National Advertisers and the American Assn. of Advertising Agencies.

However, other ad industry officials suggested Mr. Sutherland was in over his head, could not keep up with simultaneous developments in Florida and other states and, as a newcomer to advertising, did not have an adequate feel for the ad business.

A successor to Mr. Sutherland was not immediately named.

"If you have three national trade associations, then you have three opinions on how things should run," said Washington-based Mr. Sutherland. "There was some encroachment by association officers on the banks of the Hudson," he said.

"This does come at a critical time," acknowledged Mr. Snyder, referring to the scheduled Feb. 2 hearing when advertisers, agencies and the media will plead their case to a state revenue commission. "But the commitment from each of the trade associations remains at

(Continued on Page 72)

## World News Roundup

**SYDNEY—Rupert Murdoch's** $10-a-share bid for the Herald & Weekly Times media group received support from the group's board, which rejected John Fairfax & Sons' $10.67-a-share bid. Mr. Murdoch's News Ltd.'s proposed takeover will be reviewed by the Australian Broadcast Tribunal to determine its effect on HWT's Channel Seven tv licenses in Adelaide and Melbourne (AA, Jan. 19).

**LONDON—The tobacco industry** and the U.K. government agreed to limit industry sponsorship of sporting events to 1985 levels, $12.3 million. Also, health warnings on outdoor boards must cover 15% of the space, up from 10%.

**TORONTO—Canadian Home Shopping Network** made its debut this month, with a potential audience of 2.3 million households, or one-third of the country. *(See story on Page 1.)*

**LONDON—Superchannel**, the first direct competitor to Sky Channel, the pan-European general-entertainment satellite tv channel, goes on air Jan. 30. Initially, 5.8 million European homes will receive the channel.

**WASHINGTON—French wine and cognac marketers** will be represented by JWT Group's Hill & Knowlton subsidiary in a lobbying effort against the proposed 200% tariff increase planned for some imported products.

**MADRID—Collett Dickenson Pearce**, the U.K. agency 40% owned by Young & Rubicam, bought a minority share of hot creative shop Grupo Barro.

**OTTAWA—Tv commercials** produced outside the country no longer will be screened for content by the Canadian Radio-television & Telecommunications Commission.

**MILAN—Silvio Berlusconi** will retain some control over his third tv channel, Rete Quattro, when he sells it this year to comply with a

*(Continued on Page 56)*

# Older Mikey pumps 'Life' into brand

By JULIE FRANZ

ADWATCH

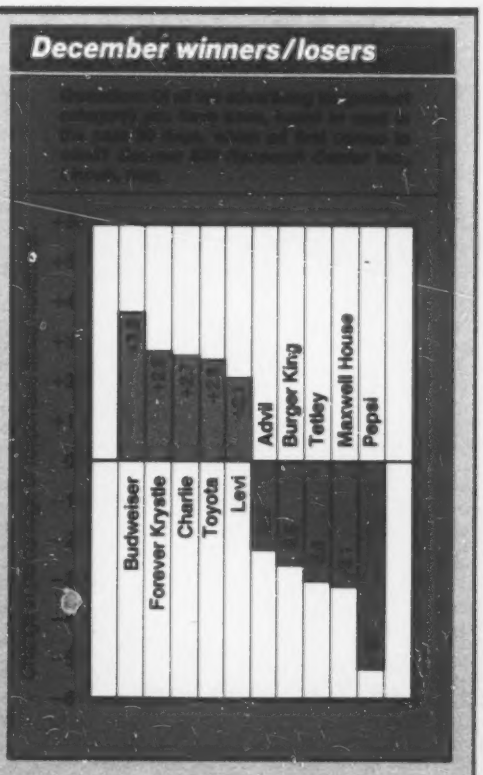
Mikey, the lovable child who for 15 years appeared as spokesman for Quaker Oats' Life cereal, has as an adult sparked the brand's advertising recall.

Life's ad awareness score increased 3.4 percentage points from October to December, capturing 5.6% of first mentions in the breakfast foods category in the December adWatch survey.

After years of running the same spot of Mikey as a child, Quaker last fall caught up with the grown Mikey, played by actor John Gilchrist (now a college freshman). Two spots, designed to appeal to teens, followed a sweepstakes that challenged consumers to "Guess who's Mikey?" from a teen-age group pictured on Life cereal boxes.

The Mikey promotion was created by BBDO, Chicago. BBDO has since lost the account to Jor-

*(Continued on Page 73)*



# Dangling new lures

## But no car financing war. . .yet

By RAYMOND SERAFIN

DETROIT—Domestic auto makers continue to dance around another all-out war on financing incentives while looking for other consumer lures to rev up a slow market.

General Motors last week took a decidedly long-term step toward reviving flagging consumer confidence in its products by upping the ante on warranty protection to six years or 60,000 miles on powertrains and 100,000 miles on corrosion, thus putting more heat on Chrysler's heavily promoted five-year/50,000 mile warranty.

Officials at GM car divisions said they expected the bulk of advertising for the new warranty program to come from a corporate campaign, though tag lines are likely to appear in both divisional and dealer ad group campaigns. N W Ayer handles GM corporate advertising.

Separately, Chrysler Corp., Highland Park, extended financing incentives and cash rebates on a limited range of small cars and trucks but was careful not to cross a line that would necessitate a dramatic response by its competitors.

Dearborn-based Ford Motor Co., coming off a strong sales and profit year in 1986, had no immediate response, but some industry observers speculate that Ford might be planning to drop the next auto marketing bombshell.

"Ford is in position to aggressively go for more market share," said Thomas O'Grady, president of Integrated Automotive Re-

(Continued on Page 70)

# Chase becomes AA exec editor

NEW YORK—Dennis Chase has been named executive editor of ADVERTISING AGE.

Rance Crain, president and editor-in-chief of Crain Communications Inc., Chicago, said the promotion will "build more strength into our day-to-day operations" and continue AA's momentum "into this year and beyond."

Mr. Chase, AA's international editor since September, 1980, will report to AA editor Fred Danzig.

In his new post, Mr. Chase will be in charge of day-to-day editorial operations, work under the editor's over-all direction and be responsible for gathering and presenting AA's editorial package in the most effective way for its readers.

D. Chase

L. Collins

Before joining AA in 1980, Mr. Chase served as Chicago bureau chief for McGraw-Hill World News and also as London correspondent for McGraw-Hill.

He was a Walter Bagehot Fellow in economic and business reporting at Columbia University and earlier in his career was a general-assignment reporter for the *Ann Arbor News* and *Grand Rapids Press* in Michigan and also for *Chicago Today*.

By having bureau chiefs and department heads report daily to Mr. Chase, Mr. Danzig will have more time to deal with broader aspects of AA's editorial coverage and forward planning.

In Chicago, deputy editor Larry Doherty will continue to report to Mr. Danzig and deal with a broad range of editorial, production and administrative functions.

AA's international department will be supervised for the immediate future by assistant international editor Mark Rosati.

In other recent staff moves:

Larry G. Collins has been added

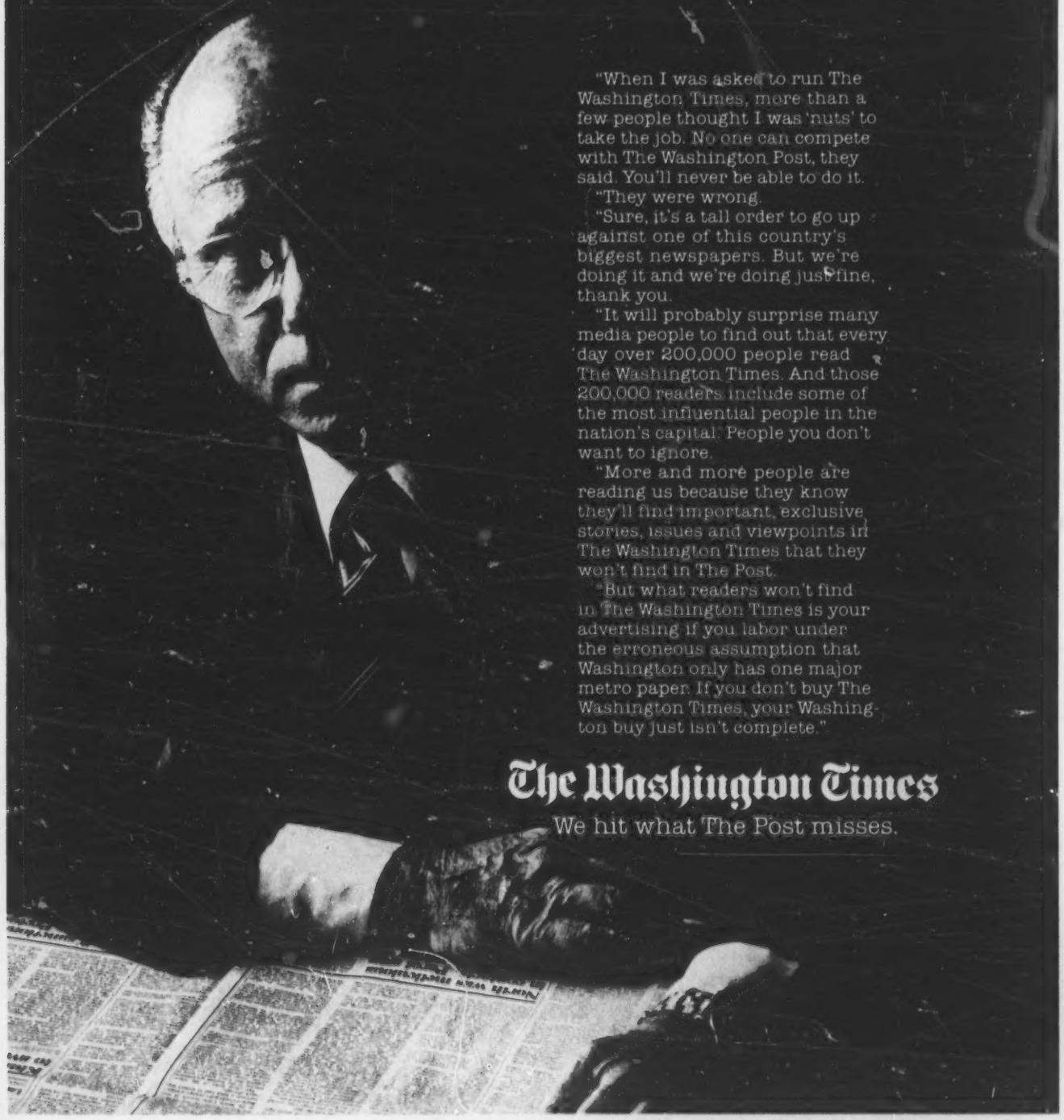
(Continued on Page 70)

## CORRECTIONS & CLARIFICATIONS

- In the ADVERTISING AGE Quarterly Best (AA, Jan. 19, P. 46), the name of Carol DeMelio was misspelled. She was art director for Nikon's eight-page "Great pictures" insert, via Scali, McCabe, Sloves, New York. The copywriter was Brian Belefant, not John Lovering. Also in the Quarterly Best, creative credits for Apple Computer's "Nightmare" tv commercial were listed incorrectly. Correct credits at BBDO Worldwide, New York, are: Charlie Miesmer, senior creative director; John Greenberger, creative director and copywriter; Jimmy Siegel, copywriter; Tony LaMonte and Phil Triolo, art directors; Barbara Mullins, Katie O'Brien and Andrew Chinich, producers. Steve Horn directed the spot (AA, Jan. 19, P. 41).
- For the January Consumer Linage Report (AA, Jan. 19, P. 84), *Barron's* has supplied a corrected figure of 2,317.8 pages for its 1986 yearend total.#

"If you think Washington is still a one-newspaper town, you're living in the past."

— Arnaud de Borchgrave, Editor-in-Chief, The Washington Times



"When I was asked to run The Washington Times, more than a few people thought I was 'nuts' to take the job. No one can compete with The Washington Post, they said. You'll never be able to do it.

"They were wrong.

"Sure, it's a tall order to go up against one of this country's biggest newspapers. But we're doing it and we're doing just fine, thank you.

"It will probably surprise many media people to find out that every day over 200,000 people read The Washington Times. And those 200,000 readers include some of the most influential people in the nation's capital. People you don't want to ignore.

"More and more people are reading us because they know they'll find important, exclusive stories, issues and viewpoints in The Washington Times that they won't find in The Post.

"But what readers won't find in The Washington Times is your advertising if you labor under the erroneous assumption that Washington only has one major metro paper. If you don't buy The Washington Times, your Washington buy just isn't complete."

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Hagler vs. Leonard

April 6, 1987

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# Special Report

Byron Gin

# Big spenders up the ante in ownership game

By William F. Gloede

For better or worse, the era of the corporate press has arrived.

Whether a press controlled by a relatively few big companies is good for America has been debated ad infinitum. But while the debate raged, the big media companies were out shopping. And they bought.

Between 1970 and 1985, chain control of the nation's daily newspapers increased from 50% of the papers and 63% of daily circulation to 71% of the papers and 77% of the circulation, according to Lynch, Jones & Ryan, Washington-based securities analysts. When the 1986 numbers are tallied, those numbers are likely to show chain control of circulation pushing the 80% mark.

In recent years, most of the big chains have run their newspapers in much the same way they'd always been run. There traditionally has been an almost visible iron curtain separating the editorial department from the paper's business departments. And while newspaper groups, especially publicly held companies, squeeze more profit from their papers than the former family ownership, they have not, in most cases, touched the news-gathering operation.

That may be changing, and it has observers both inside and outside the news business worried.

In a cost-conscious business climate, it is becoming more difficult for publicly held newspaper companies to justify to shareholders the heavy investments in news gathering that top dailies used to take for granted. Even in the privately held groups, pressures to deliver more profit with less expense are immense.

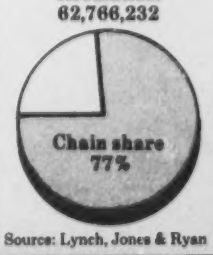
"I see danger down the line, not in the first generation that we're seeing now or even perhaps

(Continued on Page S-2)

Unless otherwise indicated, all circulation figures used in this Special Report are daily circulation averages provided to Audit Bureau of Circulations' FAS-FAX for the six months ending Sept. 30, 1986.

## Chain power

1985 average U.S. daily newspaper circulation: 62,766,232




Total number of U.S. daily newspapers: 1,676

Source: Lynch, Jones & Ryan

# Ownership

(Continued from Page S-1)

in the second generation," says Daryl Moen, a professor of journalism at the University of Missouri School of Journalism, Columbia, Mo.

"But down the line, I think there's a very good chance that the new [chief executive officers] of these companies will have a vastly different background—a completely different vision of what a communications company can be or should be—than the chain founders, the Gannetts, the Al Neuharths, the John Knights.

"When that happens, I think it's going to have a negative impact," Mr. Moen says.

Norman Isaacs, the former executive editor of the *Courier-Journal* and *Louisville Times*, former associate dean of the Columbia University Graduate School of Journalism, New York, and author of "Untended Gates: The Mismanaged Press" (Columbia University Press, 1986), is more worried than Mr. Moen.

"I'm unhappy about it, because I think the record is that once you have a publicly held company . . . the management has to run like hell to keep the stockholders happy," Mr. Isaacs says. "The proposition of the financial markets places the whole thrust on quarterly performance."

Mr. Isaacs concedes that he's a "throwback" to another generation, but he insists that the rudiments of good journalism today are the same as they always were. As always, it is expensive to produce a quality news product.

"I probably was one of the last editors to run, for years, without a budget," Mr. Isaacs says. "That's what made the *Courier-Journal* and the *Times* so well-known. We operated in a big-league fashion; that's what Barry Bingham Sr. wanted, and that's what I gave him."

Mr. Isaacs fears that tight-fisted management could keep editors from pursuing major news stories for the sake of the budget. And that, he believes, violates the public trust that the First Amendment protects.

Ben H. Bagdikian, dean of the Graduate School of Journalism at the University of California at Berkeley, also believes the financial pressures of public ownership do not foeter good journalism.

"What has happened in most [public] chains is that because Wall Street investors are interested in the short term . . . outside the showcase papers of the country there has been a decrease in reinvestment in real journalistic quality. They go in for things that are relatively inexpensive and quick, like graphics. But they quietly cut down on local reporting, on the amount of hard news space.

"And because 98% of our newspapers are in monopoly markets, you have enormous flexibility in reducing quality and maximizing prices."

Predictably, securities analysts disagree with journalists, although perhaps not as strongly as might be expected.

"There's no question that with the press being held by the public that there's pressure to maintain healthy earnings increases and run the paper more as a business," says Peter Kent, president of Henry Ansbacher Associates, a New York firm specializing in media mergers and acquisitions. "That doesn't necessarily mean that the quality of the newspaper decreases as a result. But some companies can take it too far."

Over-all, Mr. Kent believes that financially driven media companies can produce newspapers just as well as the media barons and family managers of the past. What professional management does, he says, is improve margins by consolidating business functions and reaping the benefits of economies of scale. "It's just better business," Mr. Kent says.

"There's probably more emphasis on profit margins than ever before" at companies like Knight-Ridder, says Bruce Thorp, a newspaper analyst with Lynch, Jones & Ryan.

"Knight-Ridder in the past has had a reputation for putting out some of the best newspapers in the country," he says. "It has not had a reputation among investors as one of the best newspaper stocks to own." The company, he believes, now is trying to bring its Wall Street reputation up to the same level as its reputation among members of the Pulitzer Prize jury, which gave the company's papers an unprecedented seven awards last year.

In Mr. Thorp's view, there is no inherent conflict between journalistic quality and strong financial performance.

"Quality journalism and profitability go hand in hand," he says. "We've seen time after time that when papers are locked in competition, the quality paper survived. An investor should take a long-term view that greater profit today could mean losses tomorrow, even the loss of the newspaper."

To many, however, concentration of press ownership is more worrisome than bottom-line management of the news business. With fewer newspaper properties available, chains are turning even to small dailies and community weeklies as growth prospects.

"I think it poses real problems," Mr. Bagdikian says. "A few large corporations are coming to dominate most of the business, and those few are getting fewer all the time. I think that's just too much power over something that's critical to public affairs and a democratic political system—even if they were all sterling publishers, which they are not."

Mr. Isaacs points to American John McGoff and his Panax Corp. as an example of what can be done with a concentration of ownership.

Mr. McGoff, a registered agent of the South African government, in the late 1970s used money supplied by that government to buy newspapers in the U.S.—in exchange for the promise that he would use those newspapers to bring the South African government's views to an American audience.

"McGoff was a case in point of what can happen when you own a string of newspapers and all orders come out of headquarters about what to publish and what not to publish," Mr. Isaacs says.

The debate may be moot. The chains already dominate the newspaper business, and they'll likely increase that domination.

"As a practical political matter, I don't think anything can be done about it now," Mr. Bagdikian says. He worries, however, that the chains could start exercising their heretofore untested political power.

"Media power means political power," he says. "The head of any of the leading chains can see the President of the U.S. any time he wants. The head of a local paper can't."

Ansbacher's Mr. Kent disagrees. He does not believe there's any danger of the big companies creating a monopoly of thought or editorial opinion or exercising great political power.

"There's still a great deal of diversity in newspeper holdings in this country, and I think that will continue," he says. "I don't think you'll ever see strict domination of the press by three or four companies." ■

## Hearsts established chain concept

Although the growth of chain and group newspaper ownership in the U.S. has accelerated in the last two decades, the concept took root nearly a century ago, primarily through the efforts of the original William Randolph Hearst.

Mr. Hearst (1863-1951) was the son of a California tycoon who had made his fortune in copper, silver and gold mining. The elder Hearst, George, bought the *San Francisco Examiner* in 1880. When he entered the U.S. Senate seven years later, control of the paper went to young Will, and a newspaper empire was born.

Elaborate promotions, the hiring of top-flight reporters and the purchase of modern mechanical equipment allowed Will Hearst to double the *Examiner's* circulation to 40,000 in his first year at the helm.

But San Francisco wasn't enough for the young publisher, who in 1895 bought the *New York Journal*. By 1905, his string of papers had grown to six, with the addition of the *New York American, Chicago American, Chicago Examiner* and *Boston American*. And he was just beginning.

Mr. Hearst wasn't the only early builder of newspaper chains—Scripps Howard being another notable example—but he and his Hearst Corp. were the most ambitious. At its peak in the 1930s, the Hearst chain consisted of 26 daily and 17 Sunday newspapers published in 19 cities and accounting for 13.6% of total daily circulation and a staggering 24.2% of total Sunday circulation in the U.S., according to the journalism textbook "The Press and America," by Edwin Emery and Henry Ladd Smith.

Cities with Hearst papers eventually included Albany, Atlanta, Baltimore, Boston, Chicago, Detroit, Fort Worth, Los Angeles, Milwaukee, New York, Omaha, Pittsburgh, San Antonio, San Francisco, Seattle and Washington. With a major market presence rivaled by no other chain, Mr. Hearst became arguably the most powerful newspaper owner this country has ever produced, as well as the most controversial.

**William Randolph Hearst III is stirring up controversy with *San Francisco Examiner* ads.**

His papers were fiercely competitive and combative with the kind of lively, colorful writing and splashy makeup that caused them to be labeled "yellow journalism" and "scandal sheets," particularly by their competitors. And the Hearst papers in the years between the world wars were truly *chain* papers. By and large, they looked alike; most of them had an American eagle in their nameplate, and many had *American* in their name, reflecting their owner's strong sense of patriotism.

The papers also shared most columns, comics and features and some editorials. Today, Hearst's King Features Syndicate, now including News America Syndicate, is estimated to be the industry's largest supplier of newspaper features and comics.

The Hearst chain, as constructed by its founder, began to dissolve in the late 1930s, as financial troubles mounted and many of the papers were sold, folded or consolidated, and the U.S. moved inexorably toward one-newspaper or single-ownership cities.

Although no longer one of the largest newspaper groups either in total circulation or number of papers, the privately held Hearst Corp., celebrating its centennial this year, remains an impressive media powerhouse. It ranks 11th among U.S. companies in media revenues (AA, June 30, 1986).

In addition to more than a dozen daily papers, among them the *San Francisco Examiner* and *Los Angeles Herald Examiner*, the company owns tv and radio stations, cable channels and systems, book publishing operations and magazines, including *Good Housekeeping, Harper's Bazaar, Cosmopolitan, Redbook, Popular Mechanics*, and the recently purchased *Esquire*.

Under William Randolph Hearst III, grandson of the company founder, the 145,000-circulation *San Francisco Examiner* aggressively has sought new readers and advertisers. And once again a Hearst paper is stirring up controversy. The *Examiner* currently is running a multimedia ad campaign, via Goodby, Berlin & Silverstein, San Francisco, that attacks tv's ability to comprehensively and intelligently present the news.

*—Robert G. Goldsborough*

## Leading U.S. newspaper chains

| Chain | Headquarters | 1985 media revenues (millions) | 1985 newspaper revenues (millions) | Total daily circulation (millions) | No. of newspapers (daily and nondaily) | Largest newspaper | Daily circulation |
|---|---|---|---|---|---|---|---|
| Gannett Co. | Roslyn, Va. | $2153 | $1680 | 5.7 | 93 | *USA Today* | 1,179,052 |
| Times Mirror Co. | Los Angeles | 2171 | 1620 | 2.7 | 8 | *L.A. Times* | 1,086,383 |
| Knight-Ridder | Miami | 1679 | 1534 | 3.7 | 34 | *Detroit Free Press* | 656,477 |
| Tribune Co. | Chicago | 1684 | 1357 | 2.6 | 7 | *N.Y. Daily News* | 1,270,926 |
| Advance Publications | New York | 2030 | 1350 | 3 | 25 | *Newark Star-Ledger* | 460,330 |
| New York Times Co. | New York | 1394 | 1109 | 1.7 | 33 | *New York Times* | 1,001,694 |
| Dow Jones & Co. | New York | 975 | 844 | 2.5 | 23 | *Wall Street Journal* | 1,952,283 |
| Hearst Corp. | New York | 1540 | 740 | 1 | 15 | *L.A. Herald-Examiner* | 241,454 |
| Scripps Howard | Cincinnati | 900 | 702 | 1.3 | 66 | *Rocky Mountain News* | 327,357 |
| Washington Post Co. | Washington | 1037 | 556 | 0.8 | 2 | *Washington Post* | 748,019 |

Circulation and ownership figures as of 1986. Chainwide circulation includes daily newspapers only.
Source: Advertising Age and Audit Bureau of Circulations' FAS-FAX weekday circulation averages for six months ended September 30, 1986.

# Chains lead efforts to boost national advertising

By Gary Levin
and William F. Gloede

In an attempt to improve their declining share of national advertising, newspapers have taken unprecedented steps to coordinate marketing efforts through chain-initiated combination buys, network sales organizations and new technological developments.

The latest venture, a group of negotiated discount rates for national package goods advertisers developed by Young & Rubicam (AA, Dec. 15), is only one in a series of recent moves designed to recapture national ad dollars lost from tobacco companies and others that have reduced overall spending or channeled it elsewhere.

Chains have played a major role in changing the way newspaper space is sold. Beginning in 1982, several large media companies began bypassing independent rep firms in favor of their own internal sales efforts. Gannett National Media Sales, Knight-Ridder Newspaper Sales and Times Mirror National Marketing were just three such ventures, whose success mainly depended on which markets were included and how the packages were sold. Smaller papers and smaller chains, meanwhile, continued to rely on independent reps to sell whatever national advertising they could command.

More recently, individual dailies woke up to the fact that advertisers—not newspapers—select their combination buys. In response, they began forming ad hoc networks, tailoring group discounts and other incentives to advertisers' media plans.

"From the point of view of agencies and advertisers, it makes more sense to take a group of similarly sized markets and create packages of what [advertisers] want to buy rather than what we want to sell them," says Kingsley Anthony, president of Million Markets Newspapers/Times Mirror National Marketing, New York, formed from the 1986 merger of a chain-owned sales organization and an independent rep firm.

"One thing that has been somewhat missing in the way newspapers have been sold is that we haven't been able to speak with a unified voice," he says.

The Y&R plan may be one solution, capping similar efforts by the Newspaper Advertising Bureau's Future of Advertising project and the American Assn. of Advertising Agencies. It promises varied discounts, averaging 30%, to food and other package-goods advertisers,

> ***"One thing missing is that we haven't been able to speak with a unified voice."***
>
> **Kingsley Anthony**
> **Million Markets Newspapers/-Times Mirror National Marketing**

but excludes the dominant newspaper spenders: Airline, tobacco and liquor marketers.

On a more limited scale, the *Chicago Tribune, Los Angeles Times* and *New York Times* are planning a joint sales effort, including category discounts for combination buys in the top three markets. And Chicago-based Tribune Co. is considering single-price combination buys for ads in the *Tribune* and its New York *Daily News* and on the Tribune-owned tv outlets in those markets, WGN-TV and WPIX-TV.

Sales and technological expertise are being shared on a national basis as well, although newspaper chains carefully avoid pricing collusion, a violation of federal antitrust laws.

Gannett Co.'s New York-based Four Color Newspaper Network was formed in 1985 to help sell color ads in papers committed to the superior reproduction pioneered by the company's nationally circulated *USA Today*.

The network now numbers 250 Gannett-owned and independent dailies with a combined circulation of 17 million. In 1986, advertisers bought 300 pages in Four Color Network papers, representing $1.2 million in ad spending, according to Gannett vp William Shannon.

National marketers including Apple Computer, Delta Air Lines, Ford Motor Co. and Kraft have bought color space through the network. Nearly all these ads were new to member newspapers.

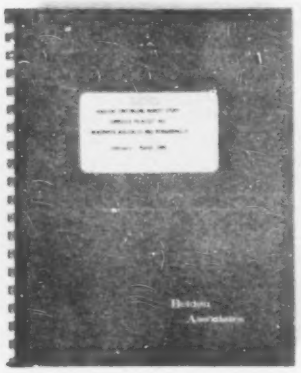
AD/SAT, an independently owned company that transmits ad facsimiles via satellite to 80 newspapers, began operations last fall to offer advertisers the convenience of a single insertion order and invoice for multiple-newspaper buys.

The New York-based operation, which reaches papers with a combined daily circulation of

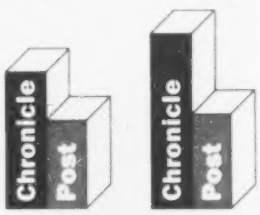
*(Continued on Page S-6)*


# WHAT DO THREE BRAND NEW STUDIES SAY ABOUT THE CHRONICLE'S LEAD IN HOUSTON?

**OVERWHELMING.**

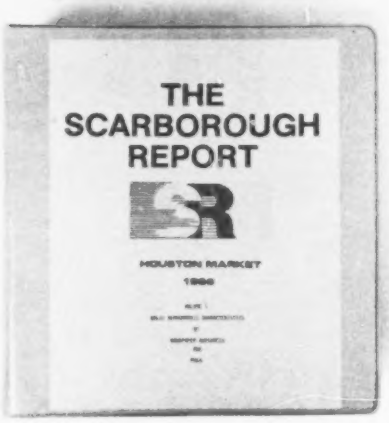


The Chronicle leads by:
28% Daily 47% Sunday

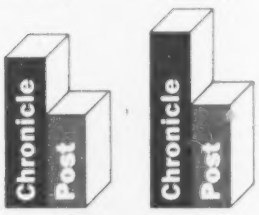



**1986 Belden Study**
**Conducted February-March, 1986**

**OVERWHELMING.**

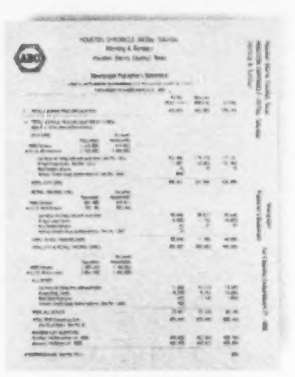



The Chronicle leads by:
32% Daily 42% Sunday

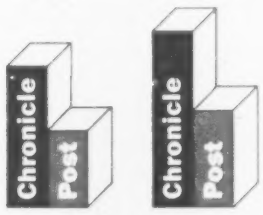



**1986 Scarborough Report**
**Conducted April-July, 1986**

**OVERWHELMING.**



The Chronicle leads by:
37% Daily 45% Sunday




**Publisher's Statements**
**March 31, 1986**

How far ahead *is* The Chronicle?

According to the newest Belden study, conducted February thru March, 1986, The Chronicle's lead is 28% daily, 47% Sunday.

But what does the Scarborough Report say? Conducted April thru July, 1986, it puts The Chronicle lead at 32% daily, 42% Sunday.

And how about the Publisher's Statements? Dated March 31, 1986, they show The Chronicle is ahead 37% daily and 45% Sunday.

So it's not a question of whether The Chronicle is leading in Houston. We are–no if's, and's or but's. It's only a matter of *how much* the lead is.

And according to three different studies, The Chronicle leads by an average of 32% daily, and 45% Sunday.

By comparison, when our competitor boasts of being Houston's best-read newspaper, did you know their data is two years old? It's true. They're quoting figures from a Simmons-Scarborough study whose data was gathered in 1984, and released in 1985.

But what really counts is how the numbers add up *this year*, in 1986. And you can look at three different studies, all reflecting the same, single fact: The Chronicle has an overwhelming lead over the competition.

For more information on why The Chronicle is Houston's most powerful, cost-efficient buy, phone Joycelyn Marek, Research Manager, collect at (713) 220-7401.

**Houston Chronicle**
Houston's primary advertising investment

SOURCES: 1986 Belden Continuing Market Study, Houston P.M.S.A. The 1986 Scarborough Report, Houston Market. Calculations computed by The Chronicle from the March 31, 1986 Publisher's Statements for The Houston Chronicle and The Houston Post (City and RTZ). Represented by Sawyer Ferguson Walker. SFW

## Top U.S. daily newspapers (by circulation)

| Newspaper | Daily circulation | Owner |
|---|---|---|
| 1. *Wall Street Journal* | 1,952,283 | Dow Jones & Co., New York |
| 2. New York *Daily News* | 1,270,926 | Tribune Co., Chicago |
| 3. *USA Today* | 1,179,052 | Gannett Co., Roslyn, Va. |
| 4. *Los Angeles Times* | 1,086,383 | Times Mirror Co., Los Angeles |
| 5. *New York Times* | 1,001,694 | New York Times Co., New York |
| 6. *Washington Post* | 748,019 | Washington Post Co., Wash. |
| 7. *Chicago Tribune* | 744,969 | Tribune Co., Chicago |
| 8. *New York Post* | 731,668 | News America Publishing, New York |
| 9. *Detroit News* | 680,800 | Gannett Co., Roslyn, Va. |
| 10. *Detroit Free Press* | 656,477 | Knight-Ridder, Miami |
| 11. *Chicago Sun-Times* | 612,686 | Sun-Times Co., Chicago |

Source: Audit Bureau of Circulations' FAS-FAX averages for the six months ended Sept. 30, 1986.

# National sales efforts

*(Continued from Page S-4)*

22 million, expects to include all of the top 100 markets by yearend. It also plans an interactive message system to link agencies and newspapers with its central transmission center.

All of this new-found cooperation between individual papers and chains is not lost on the independent newspaper reps, whose biggest strength is among smaller dailies outside the top 30 markets.

"I've never seen anything like this happen in the newspaper business," says Owen Landon, president of New York-based Landon Associates, the industry's largest rep firm. Mr. Landon says the new "commitment and intensity" toward networking comes from the "customer-driven" nature of the medium, only lately addressed by publishers.

Other independent sales reps point again to the decline of national newspaper spending by airlines, tobacco and distilled spirits marketers as the primary incentive for this kind of cooperation.

The general softness in ad spending, coupled with inroads by media chains, have spelled doom for some of these independent sales reps. Million Markets merged with Times Mirror National Marketing when the former lost the *Detroit News* account following its 1986 purchase by Gannett. Story Kelly Smith was acquired by Cresmer, Woodward, O'Mara & Ormsbee (CWO&O), New York, in April.

"From our point of view, having a national rep is not as critical as it would be in a bigger market," says Tip Lifvendahl, president-publisher-chief executive officer at Tribune Co.'s *Orlando* (Fla.) *Sentinel*, which serves the nation's 47th largest market. His paper receives 10% to 15% of its ad revenues from national marketers.

> ***The "customer-driven" nature of the medium is behind the new commitment toward networking.***
>
> **Owen Landon**
> **Landon Associates**

Yet he and others believe a half-dozen or so independent sales organizations "will always have a voice in the ad community" because of the fragmented nature of the newspaper industry.

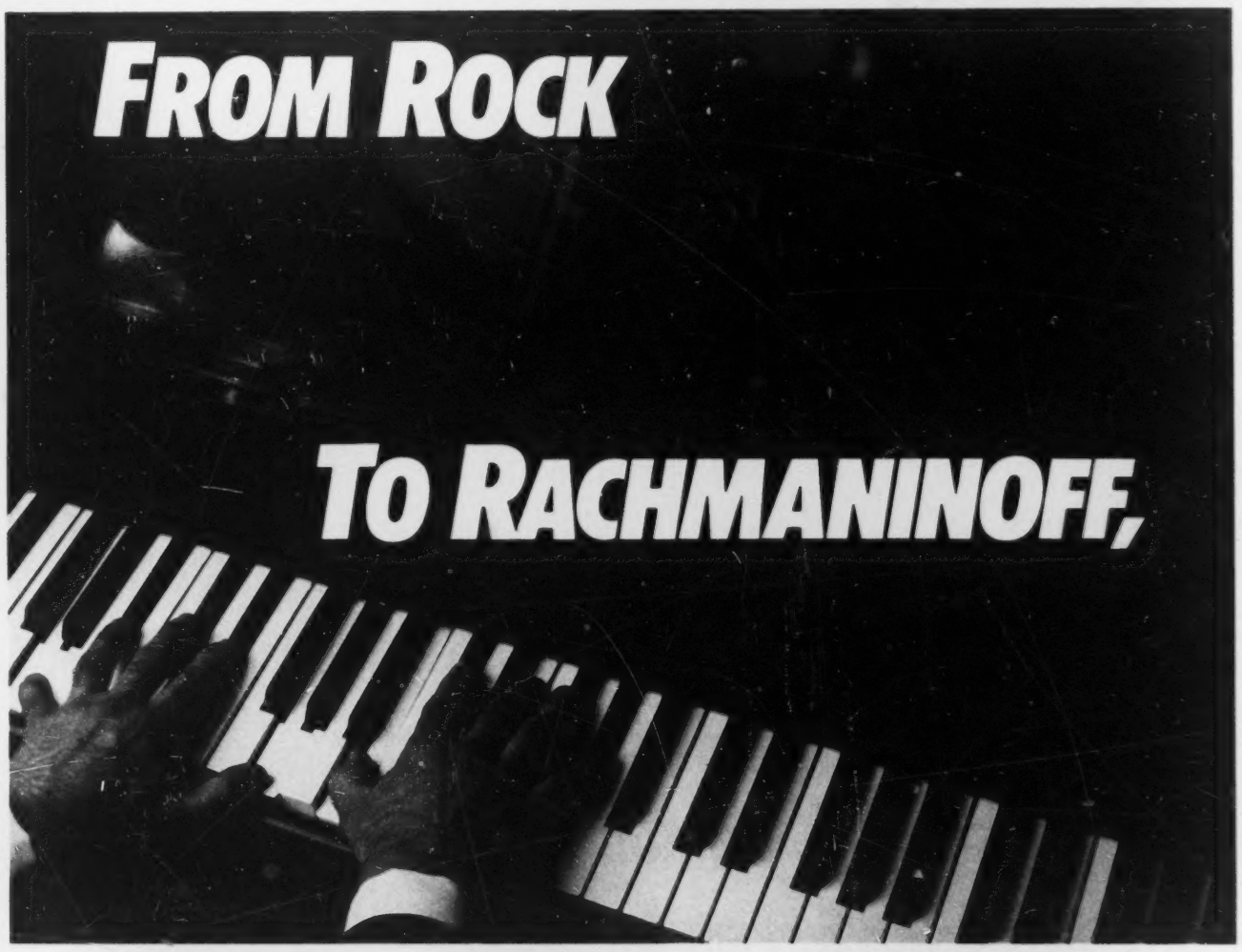
For despite the recent emphasis on networks, newspapers always have been and will continue to be a predominantly local medium supported mainly by local advertising.

Some dailies have tried to supplement declining local spending with innovative sales packages aimed outside their market, however. Knight-Ridder's *Wichita* (Kan.) *Eagle-Beacon*, for example, in February, 1985, introduced a "Laboratory/Wichita" program offering all national advertisers a reduced retail rate if they bought a contract for full-page insertions in six editions. The program promoted Wichita as a test market, highlighting its heavy cable penetration as a competitive advantage to the newspaper; broadcast buys theoretically would be more fragmented and less efficient as a result.

*Eagle-Beacon* ad director William Poitevint says three advertisers—Redken Laboratories, Southwestern Bell and Philip Morris Cos.' Virginia Slims—bought contracts, but the program's limited success, combined with the declining popularity of full-run ad pages, led the paper to expand the program to half and quarter-pages this year.

Mr. Poitevint says the Y&R program and similar efforts by his and other newspaper companies will, in the long run, help the medium by encouraging advertisers to reconsider newspapers lacking rate biases against national advertisers.

"The sooner we get to rate parity as an industry, the better off we'll be," he says.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The Simmons-Scarborough Report National Newspaper Audience Study, 1985

# Middle-market giants perfect growth strategies

By Janice Steinberg

The names aren't as well-known, but chains such as Donrey, Park and Freedom have as strong a grip on the newspaper industry as do Gannett Co., Knight-Ridder and Times Mirror Co.—albeit at a different level.

*Janice Steinberg, a frequent contributor to Special Report, investigated feature and lifestyle sections in the July 28, 1986, Newspapers Special Report.*

At present, 10 of these middle-market chains control nearly 500 dailies and nondailies, primarily with circulations less than 100,000—and in many cases, less than 20,000. *(See chart.)*

Ownership of papers such as the 6,800-circulation *Lincoln* (Ill.) *Courier*, the 10,976-circulation *Orange* (Tex.) *Leader* and the 16,639-circulation *Norman* (Okla.) *Transcript* has proved profitable for the Copley, Cox and Donrey chains. It's been profitable enough for these chains and their peers to continue buying smaller market dailies—paralleling the rapid acquisition of metropolitan newspapers by industry giants such as Gannett and Times Mirror.

The middle-market chains have several things in common. First, says John Morton, newspaper analyst with Washington's Lynch, Jones & Ryan, "Most of these middle-size companies are growing very rapidly. They've been very active in acquiring more newspaper properties and in some cases broadcast properties as well. These are middle-size companies getting bigger."

In 1986, Topeka, Kan.-based Stauffer Communications purchased two Wyoming tv stations and two newspapers, the Oak Ridge, Tenn., *Oak Ridger* and the Lake Wales, Fla., *Highlander*.

"We've been growing at a rate of better than 20% a year since day one," says Roy H. Park, founder and chief executive officer of 25-year-old Park Communications, Ithaca, N.Y. His company bought five newspapers in just the third quarter of 1986, bringing to 89 its total of newspapers and shoppers; it also owns seven tv and eight radio stations.

These two companies, Stauffer and Park, illustrate another trend among the middle-market chains: Diversification into other media, including tv, radio and cable tv systems.

Says Richard Gottlieb, president of Lee Enterprises, Davenport, Ia., which owns five tv and four radio stations, "We feel as though we're a communications corporation. One arm is newspapers and one arm is broadcast."

> ***"These companies have been very active in acquiring more newspaper and broadcast properties."***
>
> **John Morton**
> **Lynch, Jones & Ryan**

Atlanta-based Cox Communications is the fifth-largest multiple system cable operator in the U.S., according to the Cabletelevision Advertising Bureau; Cox derived 31.7% of its 1985 sales from its cable operations. Copley Newspapers, Donrey Media Group, Howard Publications, Landmark Communications and Stauffer also have cable holdings.

Mr. Morton sees the interest in cable tv as both "a defensive move and an entrepreneurial move, because there probably are going to be some relationships between the information-gathering capability of newspapers and cable television's need for information to distribute. Cable has some unique relationships with newspapers."

Although diversification tends to center on media properties, several companies have ventured farther afield. Copley, La Jolla, Cal., owns a resort hotel. In addition to a chain of computer stores, Stauffer operates insurance and travel services associated with one of its magazines, *Capper's Weekly*. Fort Smith, Ark.-based Donrey took advantage of the geothermal springs at president Donald Reynolds' Duckwater, Nev., property to start a catfish farm.

Besides investing in new properties, most of the middle-market chains have been energetically adding and upgrading newspaper production facilities.

In 1985, Freedom Newspapers' hometown flagship paper, the *Orange County Register*, Santa Ana, Cal., installed a color pagination system, said to be the first of its kind in the world.

David Easterly, president of Cox's newspaper division, predicts that within the next 10 years, Cox and its peers will make significant production advances. He says while previous upgrades were responses to increased circulation, future technological advances will be driven primarily by cost and quality concerns.

But despite similar objectives, significant differences also exist among the middle-market newspaper chains. Major problems and challenges vary not only from chain to chain, but also from market to market within a given chain.

Richard Newell, vp-administration for Howard Publications, Oceanside, Cal., says competition for advertising dollars is his company's greatest challenge. "With not only television, radio, and the other broadcast media, but also some of the third-class direct mailers, the competition for that advertising dollar is much more intense today than it was 10 or 15 years ago."

Mr. Easterly also cites competition as the issue for Cox newspapers in West Florida and Arizona. For the company's papers in Texas, however, the problem is the post-oil boom economy.

Ailing local economies are also a problem for Stauffer; "We're looking for markets that aren't so agriculturally dominated," vp Kenneth Bronson says.

However, Mr. Bronson says Stauffer's problems also stem from the way the company has operated in the past. "Our No. 1 issue is the fact that our price-to-earnings ratio has always been low in the industry," he says. "This goes back to the founding of our company and


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*ABC Publishers Interim Statement three months ending 12/31/86

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the way Oscar S. Stauffer wanted to operate his newspapers; that is, that each individual newspaper would be autonomous. Consequently, it has been a group of newspapers rather than a chain." Stauffer recently began centralizing some functions and plans to begin serious strategic planning this year.

Where these companies seem to differ most is in management style.

In spite of Stauffer's moves toward centralization, Mr. Bronson says the papers will maintain editorial autonomy. On the other hand, Freedom's 32 newspapers each reflect the company's libertarian philosophy, says Michael Maloney, assistant to the president.

Executives of Donrey, Lee, Howard and Cox say their papers operate with complete editorial independence. Cox's two Atlanta newspapers even split on their presidential endorsements in the 1984 election. "We operate a very decentralized business," Mr. Easterly says.

Copley and Park handle the autonomy question differently. Copley is the only middle-market chain with a single editor-in-chief, Herb Klein, for all of its newspapers.

In practice, Mr. Klein says, "I don't get involved with the daily news operation of the papers outside of San Diego. My involvement is to work with them on upgrading the product, spend time with the editors, work on their relationships with our bureaus to ensure we're doing a good job for them. When they're making major changes we have discussions." In San Diego, Mr. Klein, who also is a company vp, sits on the editorial board of the flagship *Union*, as does ceo Helen Copley.

Park newspapers, most of them afternoon publications with circulations less than 30,000, include several common elements: On the left side of Page One, each paper runs a column of breaking news stories and each offers photographs of 125 to 150 local people daily.

A few chains say they are considering offering group sales to national advertisers. Park already employs a national sales representative; if an advertiser takes an ad in every Park paper where his company is represented, he receives a discount.

Although growth has been the byword for most of the middle-market companies, how big can they get and remain manageable —and profitable?

In March, 1986, Harte-Hanks Communications, San Antonio, Tex., announced it would add 19 newspapers to its group of 23 dailies and more than 100 nondailies; but at the end of the year it was divesting many of its smaller newspapers and shoppers.

Copley, for one, believes smaller is better. In terms of number of properties, it is the smallest of these chains. Although Mr. Klein says the company is seeking additional newspapers, he says there are advantages to its current 13-newspaper size. "It stays very personal."

Most of the middle-market chains, however, plan to continue seeking new properties.

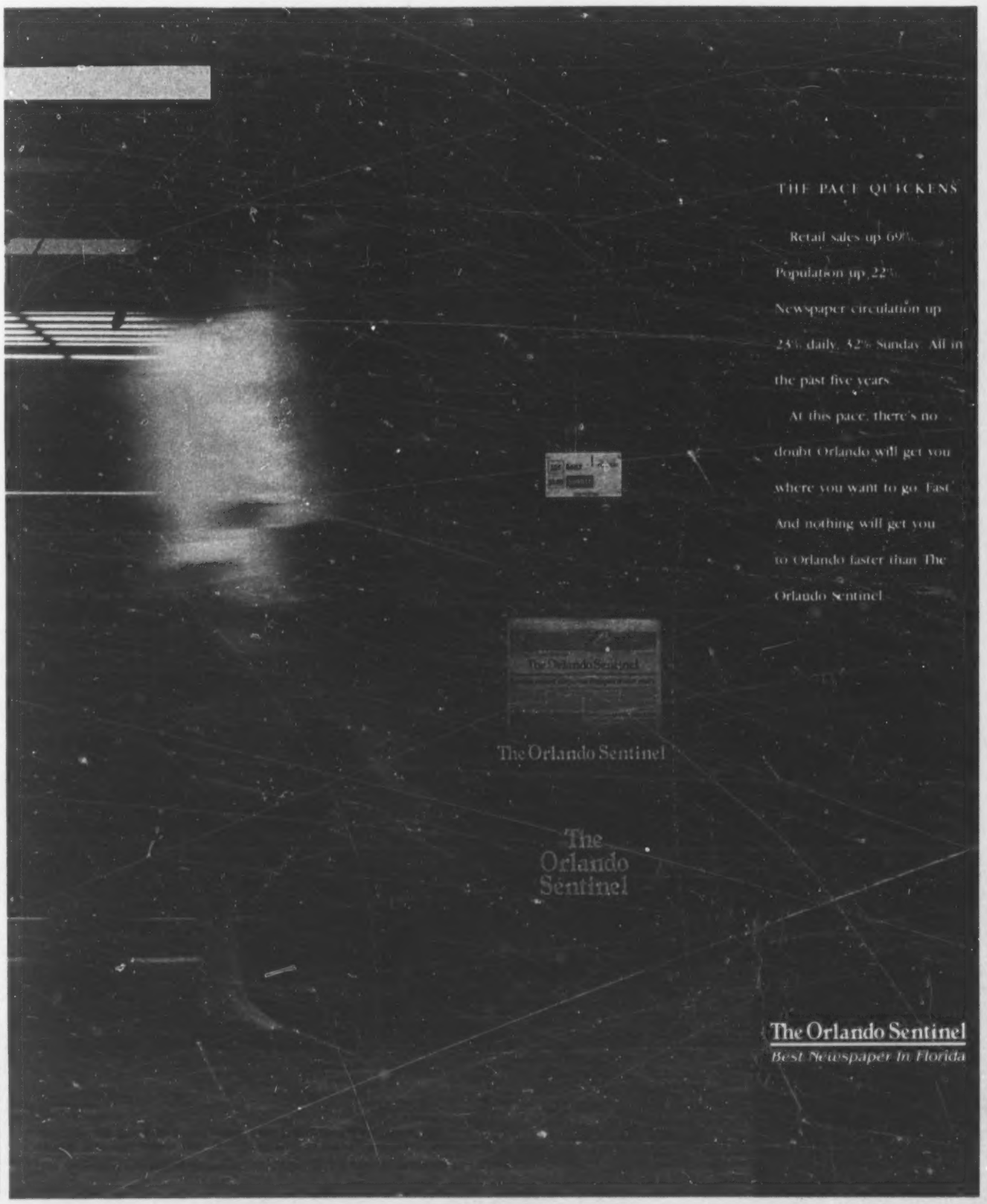
"We've been very attentive to the newspapers that have come on the market," Cox's Mr. Easterly says.

Likewise, Mr. Park says, "We are always watching for newspapers to come on the market, and if we learn about them or they come our way, we follow through with some vim and vigor and try to make a deal if we can."

## Secondary-market powerhouses

| Company | Dailies | Nondailies | Total daily circulation | Largest paper (circulation) |
|---|---|---|---|---|
| Copley Newspapers | 12 | 1 | 727,500 | *San Diego Union* (243,158) |
| Cox Communications | 21 | 21 | 1,304,572 | *Atlanta Journal-Constitution* (455,819) |
| Donrey Media Group | 55 | 73 | 766,959 | *Las Vegas Review-Journal* (108,544) |
| Freedom Newspapers | 29 | 3 | 935,000 | *Orange County Register*, Santa Ana, Cal. (311,956) |
| Howard Publications | 17 | 0 | 450,000 | *Hammond* (Ind.) *Times* (64,682) |
| Landmark Communications | 8 | 23(26*) | 713,264 | *Virginian Pilot*, Norfolk, Va. (141,586) |
| Lee Enterprises | 18 | 0 | 617,576 | *Wisconsin State Journal*, Madison (108,460) |
| Park Communications | 33 | 25(33*) | 812,000 | *Union-Sun and Journal*, Lockport, N.Y. (18,200) |
| Stauffer Communications | 20 | 0 | 191,064 | *Topeka* (Kan.) *Capital-Journal* (66,724) |

*shoppers
Source: Audit Bureau of Circulations, company figures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# Guinness woes

## *Takeover scandal may crimp marketing*

**By LAUREL WENTZ**

LONDON—The turmoil surrounding the government's investigation of Guinness PLC's takeover practices is raising questions about the future of the brewer's ambitious worldwide marketing plans.

Guinness had been trying to establish itself as an international spirits and beer giant. But that was before the ouster of Ernest Saunders, its marketing-minded chairman and ceo, and the continuing investigation into the company's takeover last year of Distillers Co. Ltd.

Mr. Saunders was fired amid widespread publicity about the U.K. Department of Trade & Industry's inquiry into whether Guinness executives led a campaign to drive up the price of Guinness stock through heavy outside buying during the $3.7 billion battle for Distillers last spring.

Since Guinness' bid was mainly in stock—which rose in value 25% during the period of heavy buying—it topped a rival offer from the Argyll Group, a large supermarket conglomerate.

On Jan. 16, Guinness acknowledged that some members of its management engaged in illicit deals in connection with the takeover.

Under Mr. Saunders, Guinness Brewing Worldwide was set up to promote Guinness as an international beer brand, and Ogilvy & Mather was appointed its global ad agency.

A review started last fall of all the marketing and advertising activities of the group's spirits brands—one of the first steps in the reorganization of Distillers—is continuing, said a company spokesman.

The $105 million in advertising, now divided among 30 ad agencies, is being reviewed by Guinness Beverage Group managing director Victor Steel and other senior Guinness executives with the help of Frank Lowe, chairman of Lowe Howard-Spink Marschalk, the agency handling Guinness' corporate account.

One account, for Gordon's gin, already has been reassigned from Foote, Cone & Belding to Lowe (AA, Oct. 27).

Last year, Guinness reported 30% growth in its key development markets—the U.S. and Western Europe—and launched Kaliber, an alcohol-free beer the company hopes has international potential, in the U.S. and the U.K.

Mr. Saunders masterminded the acquisition of Perth, Scotland-based whisky producer Arthur Bell & Sons in 1985 in addition to leading the acrimonious takeover battle for Distillers. Bell markets White Horse, the No. 1 U.K. brand, and Distillers produces Dewar's, the best-selling Scotch whisky brand in the U.S.

It was revealed in mid-January that Guinness last November sold the Dewar's trademark rights to its U.S. distributor, Schenley Industries, for a nominal amount. In another move, Schenley also bought the U.S. distributor of Gordon's gin and vodka, another Distillers' brand.

Schenley bought about $90 million of Guinness stock during the takeover battle for Distillers, giving the U.S. company more than 5% of Guinness' stock and helping to boost the Guinness stock price to make its offer to Distillers more attractive. Schenley, a unit of Rapid-American Corp., since has admitted to violating U.K. law by failing to disclose acquisition of more than 5% of a company's stock.

"Hopefully, the Saunders' plan is all still there and in

*(Continued on Page 57)*

GUINNESS
FOR A STRONGER SCOTCH
JUST ADD GUINNESS.
Scotch whisky is one of our leading exports. Over 16,000 jobs depend on it.
Johnnie Walker & Co. must be made stronger if they are to win the fight for overseas sales.
There is opposition from the Far East, America and Canada.
Each has its own thriving whisky brands. And powerful international corporations to market them.
Scotch whisky needs a similar champion. And our merger with Distillers would create one.
Time and time again Britain has failed to wake early enough to the challenge from overseas.
The alarm bells are now ringing on the world whisky market.
Help us respond. Support the Guinness Distillers bid.
GUINNESS PLC
Guinness and Distillers. A strike of genius.

**One of a series** of page newspaper ads run by Guinness last year in support of its takeover bid for Distillers.

Illustration by David Krainik

# Cuba:

## 'Sunshine Channel' tells tourists about virtues of Cuban consumer products

**By STEPHEN DOWNER**

*Editor's note: ADVERTISING AGE's Mexico City correspondent visited Cuba recently to report on the state of marketing and commerce in the communist nation. In the first of a two-part series, he looks at advertising in Cuba.*

HAVANA—Commercial advertising is alive in Cuba, but does not exist as far as the average Cuban is concerned.

Tourists can see it by turning the dial of their invariably Japanese color tv sets in their hotel rooms to El Canal Del Sol (The Sunshine Channel).

Cuba's tourism institute launched the channel three years ago. It gives comprehensive information on the attractions and products available to tourists on the crocodile-shaped island in the Caribbean.

Commercials advertising tourist attractions are in Spanish, French and English. Most consumer products are advertised in English only.

"We offer duty-free shopping to meet every budget," blurts out a turbaned cartoon character, the mascot of Cuba's INTUR stores, which sell exclusively to tourists.

"Behind every woman there is always more than one perfume" is the message on a commercial for a variety of Cuban and imported perfumes sold by the same chain.

Another, for the Cuban cigar industry, shows a young woman dining with her escort and being bothered by his cigaret smoke. Suddenly she is distracted by the sight of a second bourgeois type happily smoking a Cuban cigar.

A woman's naked back is used in a spot for Cuba's Suchel toiletries and lotions. Black and White whisky, Chivas Regal, Havana Club rum and Cinzano all get a mention in commercials. Hola ground coffee ($6 for one kilo), restaurants, night spots, electrical appliances and Cuban handicrafts are all featured as well.

The Sunshine Channel employs female announcers and broadcasts news, pop videos and films such as "Quest for Fire" and "Lady Chatterly's Lover" late into the night.

Outside the hotels, commercial advertising is nonexistent. However, a giant poster near the resort of Varadero reminds

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# *World News Roundup*

*(Continued from Page 3)*

new law limiting private tv ownership to two per person, sources say.

**BRASILIA—An AIDS education campaign**, the first funded by the Brazilian government, will break in March. Denison Propaganda and two regional agencies handle.

**DUESSELDORF—Sonnen-Bassermann**, a prepared foods marketer, chose HCM for its estimated $3.5 million account. Sportive Werbeproduktion previously handled.

**TORONTO—RJR-Macdonald** consolidated its $5.1 million tobacco products account at J. Walter Thompson Co., moving $2.9 million in billings from McCann-Erickson Canada.

**FRANKFURT—Seagram Deutschland** moved its estimated $2.7 million sparkling wine account to J. Walter Thompson Co. from Doyle Dane Bernbach.

**BARCELONA—Cinzano** moved its estimated $2.3 million vermouth and bitters account to Tiempo/BBDO from J. Walter Thompson Co.

**HONG KONG—Schering-Plough** chose McCann-Erickson to handle its Coppertone and Maybelline accounts, formerly with DMB&B.

**TOKYO—A bulk-mail rate**, long requested by U.S. direct marketers here, will be introduced this fall (AA, Aug. 11).

**MANILA—Agency billings** dropped 6% in 1986 from 1985 levels.

**HONG KONG—Christian Dior** fired J. Walter Thompson Co. Saatchi & Saatchi Wong Lam is expected to win the account.

**Agency openings and acquisitions: Publicis**, Paris, opened a Copenhagen office, called Publicis Daark. . .**The Ball Partnership**, Sydney, acquired Dow McIntosh & Kelly, Melbourne.

## AA survey deadline

CHICAGO—The annual international survey of foreign advertising agency billings and gross income will be published by ADVERTISING AGE this spring.

By now, all agencies should have received questionnaires by mail in which they were asked to list their total billings and gross income for 1985 and 1986.

If your agency has not yet received a questionnaire, you should contact ADVERTISING AGE and request a copy as soon as possible.

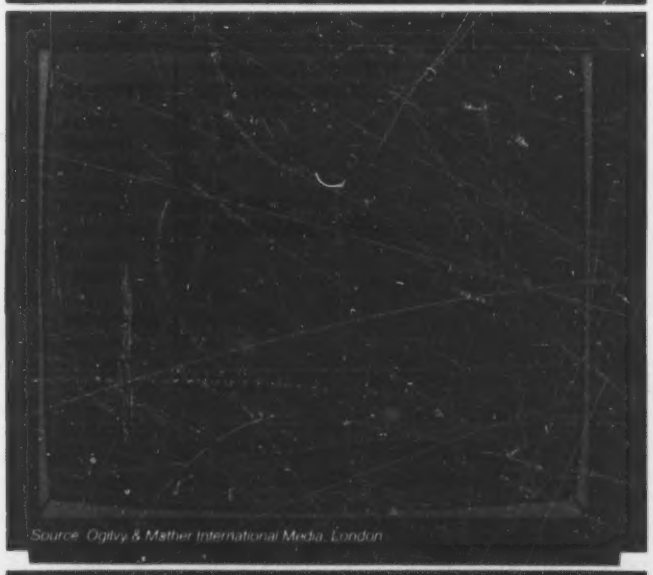
To get a questionnaire, please do one of the following:

- Write to Ilse Cermak, Foreign Agency Income Editor, International Department, ADVERTISING AGE, 740 Rush St., Chicago, Ill. 60611, USA.
- Send a telex to 687-1231 CRAIN UW or a telefax to (312) 649-5331.

A reminder: Completed forms are due in Chicago no later than Feb. 27. Early filing of the responses would, of course, be appreciated.

Thank you for your cooperation.

## VCR penetration in Europe (1986)



Source: Ogilvy & Mather International Media, London

# Rodney-like aliens invade Lite spot

By MARCY MAGIERA

CULVER CITY, CAL.—It's a close encounter of the disrespectful kind when Bob Uecker, Mickey Spillane and 19 other Miller Lite "all-stars" meet an alien spaceship full of pop-eyed Rodney Dangerfield look-alikes in Miller Brewing's 11th annual "reunion" commercial.

The tv spot, filmed here this month and expected to break in February, reunites 22 celebrities previously featured in Lite advertising for a barbecue at the fictional ranch of rodeo champion Jim Shoulders. As the participants banter over a few Lite beers, a huge spaceship descends on the party. The frightened crowd agrees the aliens probably want the Miller Lite beer, but splits over the reason. The argument ends with the cast, minus one, fleeing when the spaceship opens to reveal hundreds of wise-cracking Dangerfields. The "aliens" scoop up the real Mr. Dangerfield and return to space.

Bob Giraldi once again directed the annual reunion spot for Miller Lite agency of record Backer & Spielvogel, New York.

Miller this year will add a separate Spanish-language execution to the 11-year reunion campaign. In a spot created by Mendoza, Dillon y Asociados, Newport Beach, Cal., athletes Alexis Arguello, Efren Herrera (also seen in the general-audience commercial) and Luis Tiant, entertainers Olga Breeskin, Willie Colon and Eulalio Gonzalez and sportscaster Jorge Berry quarrel over which Spanish dialect—Cuban, Mexican or Puerto Rican—is superior.#


WATCH
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TV SHOW
USA NETWORK
JANUARY 25 & 31
For Info Contact Will Jordan
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# Streibert dies; 1st USIA chief

SYOSSET, N.Y.—Theodore Streibert, 87, first director of the U.S. Information Agency and a founder and chairman of the Mutual Broadcasting System, died Jan. 18 at his home here of cancer.

Mr. Streibert began his widely diversified career with the Harvard graduate school of business administration before going into films and radio. He joined WOR, New York, in 1933 and became president of the radio station by 1945.

He served as chairman of Mutual from 1949 to 1951.

His work for the government started with the Eisenhower administration as a public affairs consultant in West Germany. In 1953, he became head of the new USIA and kept that post until 1957.

Later he returned to the private sector, first as vp of Time-Life Broadcasting and then as president of the Radio Free Europe Fund.#

# AdWatch

(Continued from Page 3)

dan, Manning, Case, Taylor & McGrath, New York, because of account conflicts that developed when BBDO combined with Doyle Dane Bernbach and Needham Harper Worldwide to form the Omnicom group.

General Mills' Cheerios grabbed the top spot in the breakfast food category with 7.2% of first mentions, while Big G's Wheaties dropped to third spot with 5%.

AdWatch is a joint project of ADVERTISING AGE and SRI Research Center, Lincoln, Neb. Consumers are queried on the first ad they remember over-all from the last 30 days as well as those in a variety of product areas. During December, 1,000 consumers were polled by telephone.

Advertising showing the dancing raisins from the California Raisin Advisory Board (via Foote, Cone & Belding, San Francisco) once again was the most frequently recalled (unaided). The raisins' recall remained at 3.1% in December, the same level achieved in November (AA, Jan. 5).

Following the raisin board, the top 10 in descending order were Coca-Cola, Miller/Miller Lite, Budweiser/Bud Light, McDonald's, Chevrolet, Pepsi, Ford, Levi and Bartles & Jaymes.

Advertising for Anheuser-Busch's Budweiser brand gained 3.8 points, getting 15.7% of first mentions among beer advertisers.

Coors ranked second with 11% of first mentions, while Miller Lite garnered 9%.

Traditionally heavy pre-Christmas ad spending in the cosmetics and fragrance fields boosted ad recall scores for two colognes: Charlie and Forever Krystle.

Charlie added 2.7 points to its awareness level, raising its score to 3.7% of first mentions. Revlon introduced new creative for the brand that features 14 self-assured young women, replacing the single "Charlie girl." The effort is the first from new agency Hill, Holliday, Connors, Cosmopulos, New York.

Forever Krystle continued ads featuring "Dynasty" stars Linda Evans and John Forsythe. Its advertising came to mind first for 3.4% of the sample, up 2.8 points. Rosenfeld, Sirowitz & Lawson, New York, handles.

Maybelline still topped the category, garnering 4% of first mentions last month.

The following are the top three advertisers in other product categories for December:

- **Airlines:** United (14.7% of first mentions); TWA (8.8%); American (8.4%).
- **Apparel:** Levi (10.6%, includes 501 Blues); J.C. Penney (4.0%); Sears, Roebuck & Co. (3.6%).
- **Bread:** Wonder (16.9%); Holsum (3.3%); Colonial (2.5%).
- **Cameras:** Kodak (19.8%, includes Kodak Disc); Canon (11.8%); Minolta (10.2%).
- **Cars & trucks:** Ford (18.6%); Chevrolet (14.4%); Toyota (9.7%).
- **Coffee:** Folger's (23.1%); Maxwell House (20.8%); Sanka 4.6%).
- **Computers:** Apple (27.9%); IBM (17.3%); Radio Shack (3.8%).
- **Credit cards:** Visa (29.6%); MasterCard (21.2); American Express (10.9%).
- **Home electronics:** General Electric (3.6%); Black & Decker (3.1%); RCA (3.1%).
- **Financial institutions:** Merrill Lynch (6.6%); Dean Witter (3.6%, includes Sears); E.F. Hutton (2.8%).
- **Fast food:** McDonald's (45.4%); Burger King (14.0%); Wendy's (6.5%).
- **Frozen food:** Bird's Eye (8.5%); Swanson (5.8%); Stouffer (4.6%).
- **Laundry products:** Tide (24.5%); Cheer (4.4%); All (3.9%).
- **Liquor:** Seagram's (2.8%); Jack Daniel's (2.5%); Bacardi (1.2%).
- **Medicine & drugs:** Tylenol (23.5%); Advil (6.1%); Bayer (5.6%).
- **Pet food:** Alpo (11.7%); Purina (10.5%); Kibbles'n Bits (2.9%).
- **Soap & shampoo:** Ivory (8.7%); Head & Shoulders (5.0%); Prell (5.0%).
- **Soft drinks:** Coke (32.8%); Pepsi (26.2%); 7UP (3.4%).
- **Tea:** Lipton (34.4%); Tetley (3.5%); Nestea (2.4%).
- **Tires:** Goodyear (20.9%); Michelin (15.7%); Firestone (6.8%).
- **Tobacco:** Marlboro (7.0%); Winston (4.6%); Skoal (2.8%).
- **Wine:** Bartles & Jaymes (9.6%); Gallo (9.4%); Riunite (7.9%).#

*For additional information or data, contact Gary Gabelhouse, SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.*


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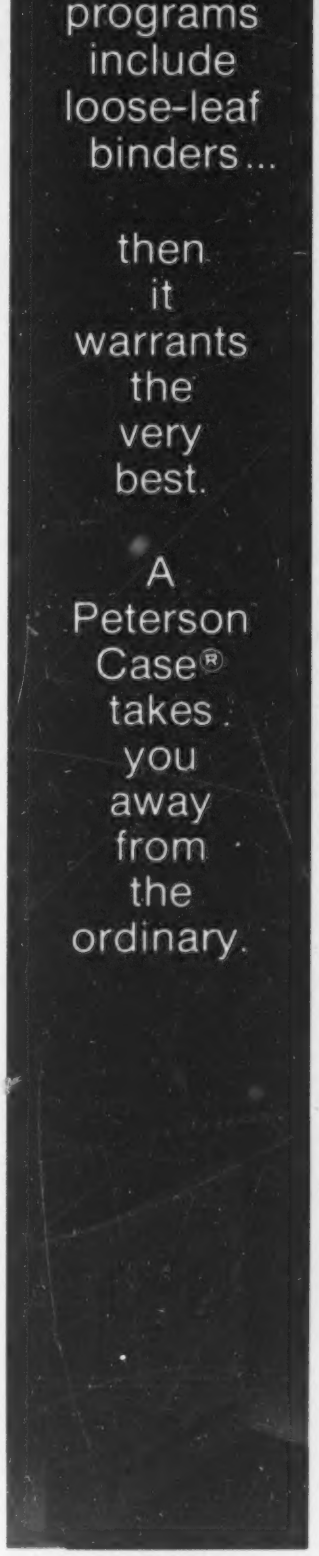

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